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*Central Intelligence Agency
Inspector General*



**SEMIANNUAL REPORT
TO THE DIRECTOR OF CENTRAL INTELLIGENCE
JANUARY – JUNE 2004**

*John L. Helgerson
Inspector General*

APPROVED FOR RELEASE
DATE: 25-Feb-2010

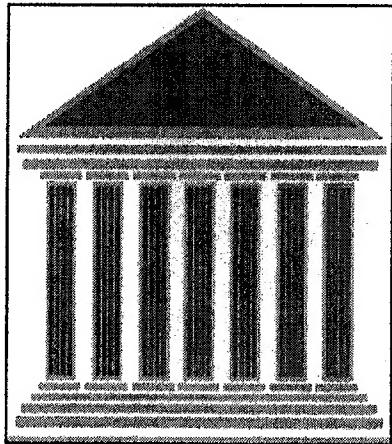
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(U) ANNEX SECTION

- (U) STATISTICAL OVERVIEW**
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- (U) COMPLETED SPECIAL REVIEWS**
- (U) CURRENT SPECIAL REVIEWS**

(U) *A Message From the Inspector General*



The work of the Office of Inspector General (OIG) during this reporting period increasingly has focused on issues related to the war against terrorism and the war in Iraq. As a result of the widespread publicity given the abuses of detainees at Abu Ghurayb prison, the Director of Central Intelligence (DCI) recently asked the Inspector General to conduct a review of all Agency detention and interrogation activities in Iraq to ascertain whether and in what respect Agency personnel or contractors might have been involved in those or other abuses. A sizable team of investigators and auditors is pursuing that task.

The Inspector General and the Assistant Inspector General for Investigations have briefed or otherwise informed the DCI and the Intelligence Oversight Committees of the Congress of OIG activities in investigating allegations of abuse in Afghanistan and Iraq. In the most advanced case, a former Agency contractor was indicted in June 2004 on four felony counts of assault. This individual is charged with having severely beaten a detainee, who died, in June 2003 in Konar Province of Afghanistan. This is the first prosecution of a civilian for abuses committed during the current conflicts in Afghanistan or Iraq. OIG also completed a special review of management practices associated with a counterterrorist covert action program undertaken in the aftermath of 11 September. The review made a number of recommendations to review, revalidate, or modify the program. The DCI has indicated that he generally agrees with the recommendations and has directed that certain actions be taken in response.

Crimes referrals have been sent to the Department of Justice (DoJ) in any case where the Inspector General has received credible information that an abuse may have occurred. In the most serious case now

under consideration by DoJ,

In all such investigations, the office has coordinated closely with appropriate other governmental investigative bodies, particularly the US Army Criminal Investigative Division, to ensure that relevant information is shared.

(U//) A criminal investigation undertaken at the request of the DoJ concerning the management and implementation of the Cooperation from the Senate Select Committee on Intelligence has benefited this investigation.

(U//) In a case of fraud related to the procurement of computer equipment, an Agency staff employee in April 2004 pled guilty to one count of embezzlement and in June was sentenced to four months incarceration, two years probation, and restitution of \$17,000. In another case, a contractor who pled guilty to felony false statements repaid \$23,696 and was placed on one-year probation. DoJ declined prosecution of a former senior Agency officer who was found to have violated the one-year postemployment ban on representational contacts with Agency officials, with the result that an administrative Report of Investigation was prepared in the case.

The Audit Staff continues to pursue its program, as requested by Congress, to audit each covert action program at least every third year. Projects related to Afghanistan and Iraq have been completed or are under way. Also, in the Agency's overseas operations area, audits have been completed of five field stations and work is under way on several others. The Staff completed two of several audits undertaken to prepare the Agency and the OIG for the audit of the financial statements for fiscal year 2004. The financial statements audit is scheduled to be completed in November 2004 and will be conducted annually thereafter. More than a third of the Audit Staff is involved with this effort. The Executive Director created a Financial Statement Steering Committee to focus attention on the timeline for the production and audit of the financial statements, and to coordinate action on Agency-wide accounting issues. The Committee is comprised of the Chief Financial Officer and principal representatives from each Directorate and Mission Support Office, and the OIG.

During this reporting cycle, the Inspection Staff completed inspections of two important issues, Information Security and [redacted] and of four Agency components: Central Eurasia Division and National Resources Division within the Directorate of Operations (DO); and the Office of Transnational Issues and the Office of Policy Support within the Directorate of Intelligence. The Staff closed six inspections during this period, including key ones on the Agency's Budget Formulation and Execution, the [redacted] and the DO's [redacted]

(U/ [redacted]) OIG is nearing completion of a special review of "Accountability Issues Identified in the Findings and Recommendations of the Congressional Joint Inquiry Report on 9/11." The Review Team—led by the Inspection Staff and made up of members drawn from each of the OIG's three staffs—has shared relevant information with the DoJ Inspector General and the Kean Commission to assist them in their reviews.

Cooperation among Intelligence Community (IC) IGs continues, both through meetings of the Inspectors' General Forum and in other joint undertakings. CIA OIG Counsel participated with OIG personnel from the National Security Agency (NSA), the Defense Intelligence Agency (DIA), and the Department of Defense in a peer review of the National Reconnaissance Office's Office of Inspector General. CIA OIG staff worked with counterparts from the Department of State to complete an audit of the [redacted] Several IC Offices of Inspector General have well under way an audit of the National HUMINT Requirements Tasking Center. The Inspection Staff continued its outreach program to other inspection and evaluation staffs by offering seats in its New Inspector Training Course to other IC inspectors. Inspectors from DIA completed the course in January, and, for the first time, the IGs in the Department of Homeland Security and NSA have requested that some of their officers attend the next running of the course.

(U/ [redacted]) In May 2004, the CIA OIG hosted the tenth annual IC Audit Conference, attended by approximately 200 auditors from 17 different agencies. Speakers from the Department of Homeland Security, the DCI Foreign Denial and Deception Committee, the Community Management Staff, and the CIA History Staff shared their insights on "The Intelligence

Community: Past, Present, and Future." Also, the former CIA Deputy Assistant Inspector General for Audit shared some of his early experiences as Assistant Inspector General for Auditing for the Coalition Provisional Authority in Iraq.

(U) In June, the OIG began a study to evaluate the information technology needs of the office. The results of the study will be used to develop systems specifications for a new information management system to enable the OIG to handle its growing caseload and improve the capability to search and retrieve information.

(U) Several members of the OIG are heavily engaged in organizing and coordinating the 2004 International Intelligence Review Agencies' Conference scheduled for 3-5 October 2004 in Washington, D.C. The Inspectors General from most IC agencies plan to attend. The international conferees will represent nearly a dozen countries, including a number from parliamentary oversight committees, as well as inspectors general, presidential advisors for intelligence, and other senior national security advisors. Members of the Senate Select Committee on Intelligence and the House Permanent Select Committee on Intelligence have been invited.

(U)/ *Overall, this has been an unusually busy and uniquely demanding period for the Office of Inspector General, both with regard to ongoing projects and in monitoring Agency follow-up to previously completed reviews. I am pleased to report that both the OIG and Agency senior management have vigorous efforts under way to ensure timely Agency compliance with the recommendations of OIG audits, inspections, and investigations.*

John L. Helgerson
14 July 2004

(U) STATUTORY REQUIREMENTS

(U) This report is submitted pursuant to section 17 of the CIA Act of 1949, as amended, which requires the Inspector General to provide to the DCI, not later than 31 January and 31 July of each year, a semiannual report summarizing the activities of the OIG for the immediately preceding six-month periods, ending 31 December and 30 June, respectively.

(U) All audit activities of the OIG are carried out in accordance with generally accepted government auditing standards. All OIG inspection and investigation activities conform to standards promulgated by the President's Council on Integrity and Efficiency.

(U) The OIG has had full and direct access to all Agency information relevant to the performance of its duties.

(U) Subpoena Authority

(U) During this reporting period, the IG did not issue any subpoenas.

(U) Legislative Proposals

(U) OIG has no proposals for legislative changes.

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(U) AUDITS

(U) AUDIT STAFF OVERVIEW

(U) The Audit Staff conducts performance and financial statement audits of Agency programs and activities, and participates with other agencies in joint reviews of Intelligence Community programs and activities. During this period, the Audit Staff has completed 13 evaluations and audits of Agency covert programs, field stations in the Latin America Division, and financial management.

(U) The Audit Staff continues to focus on three significant issues that have been mandated either by the Congress or through statute: (1) providing continuing oversight of covert action programs, (2) auditing the Agency's fiscal year (FY) 2004 financial statements, and (3) evaluating the Agency's information security program. The Audit Staff continued its aggressive audit schedule of covert action programs. The audit report is being drafted on one of the Agency's largest covert action programs and fieldwork has started on another. The audit of the Agency's FY 2004 financial statements is under way and will continue through November 2004. The first independent evaluation of the Agency's information security program required by the Federal Information Security Management Act (FISMA) was completed in September 2003. As a follow-on to that audit, in May 2004, the Staff initiated the audit of national security systems operated by Agency contractors and located at contractor facilities.

(U) A robust recruiting effort over the past several years has resulted in the Audit Staff having a full complement of auditors who possess a wide range of skills and experience to provide oversight of the important issues facing the Agency. The Staff continues to recruit auditors with information technology and other unique skills to ensure that it will have the needed resources to meet its audit responsibilities.

(U) SIGNIFICANT COMPLETED AUDITS



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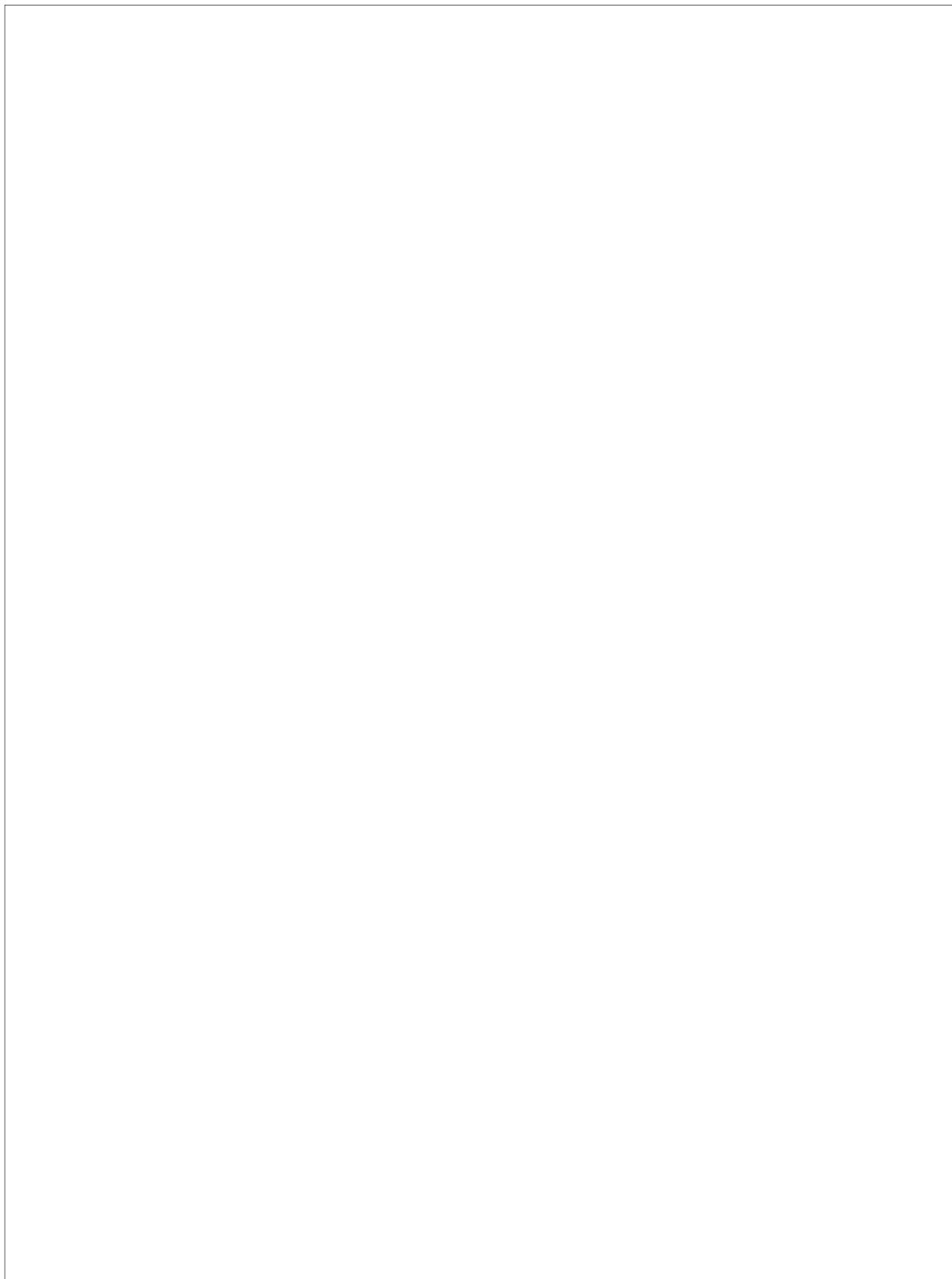


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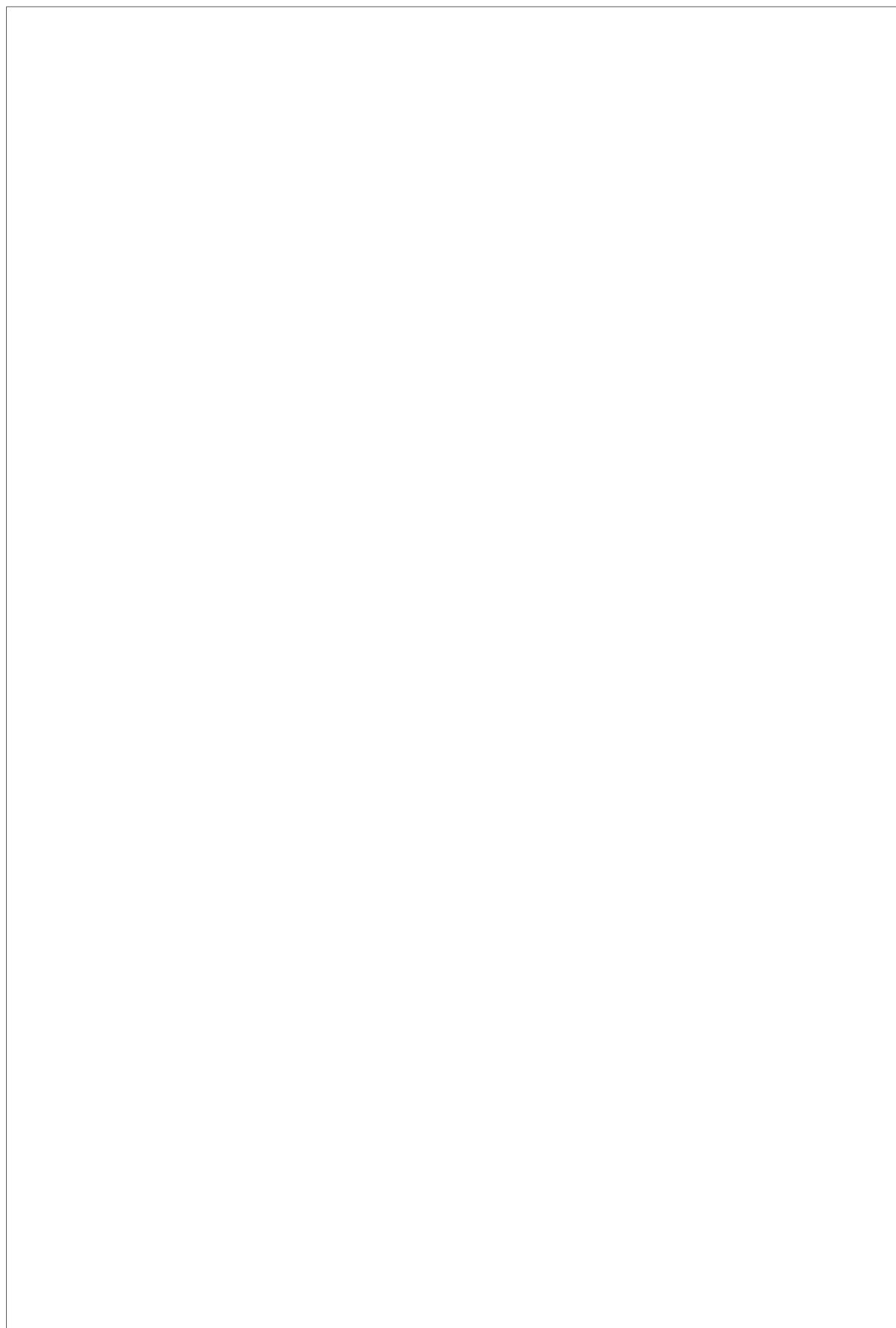
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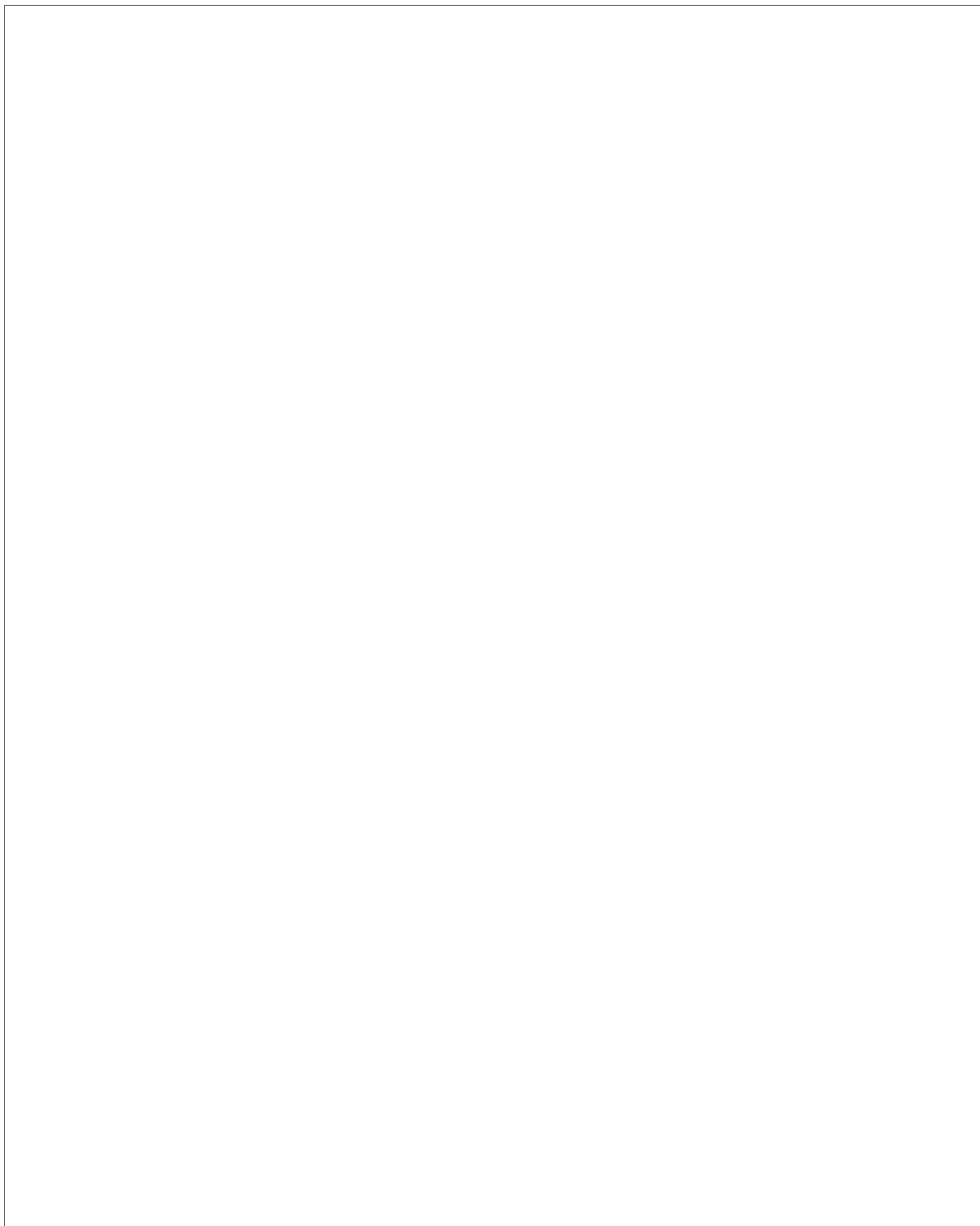
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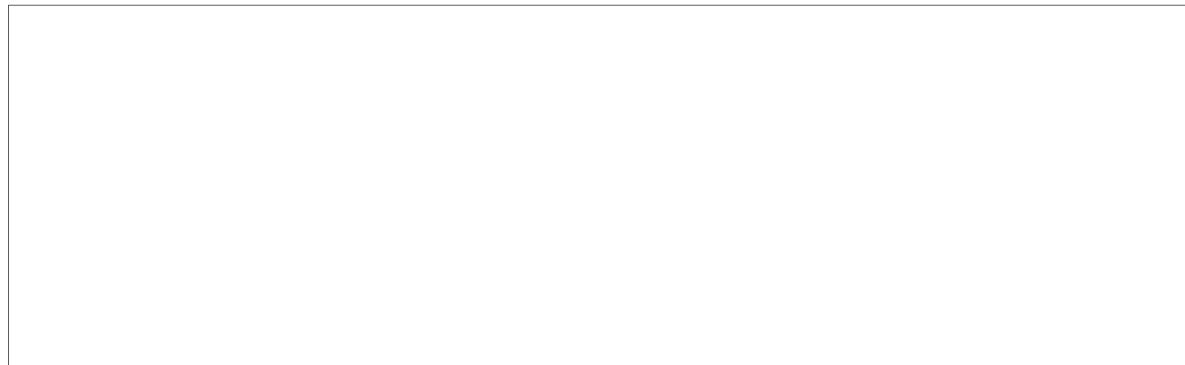
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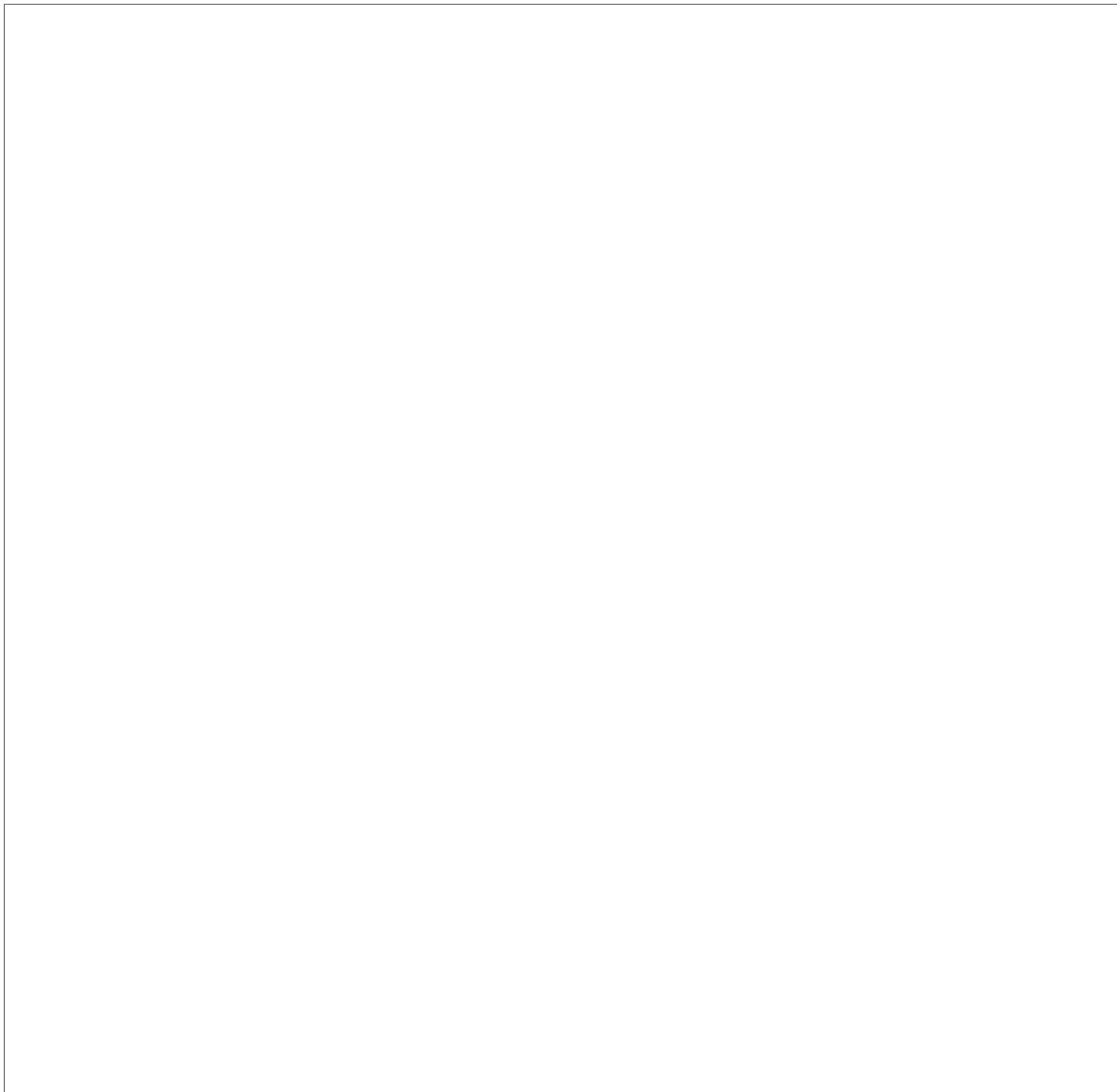


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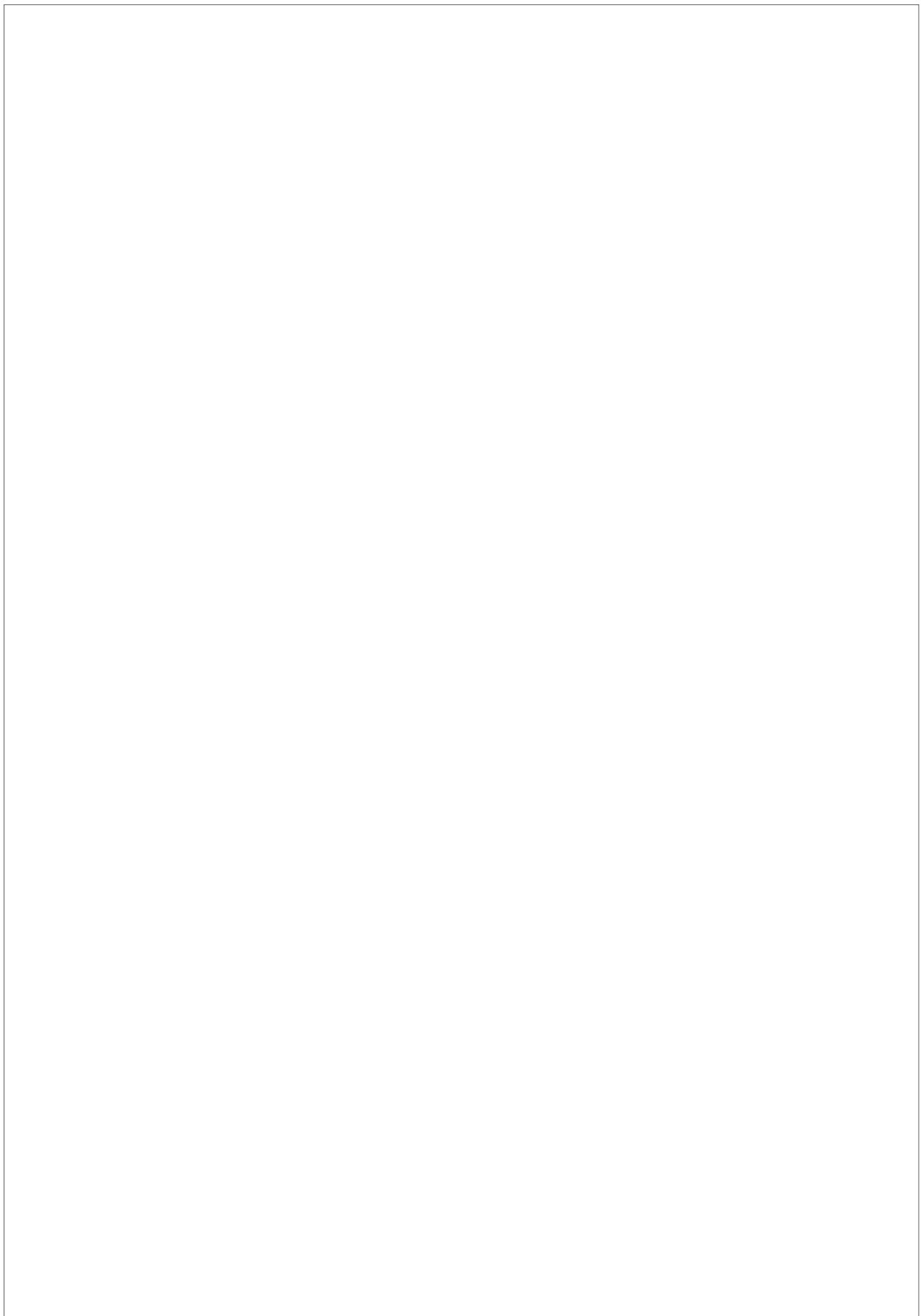


***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING
FROM PREVIOUS SEMIANNUAL REPORTS***



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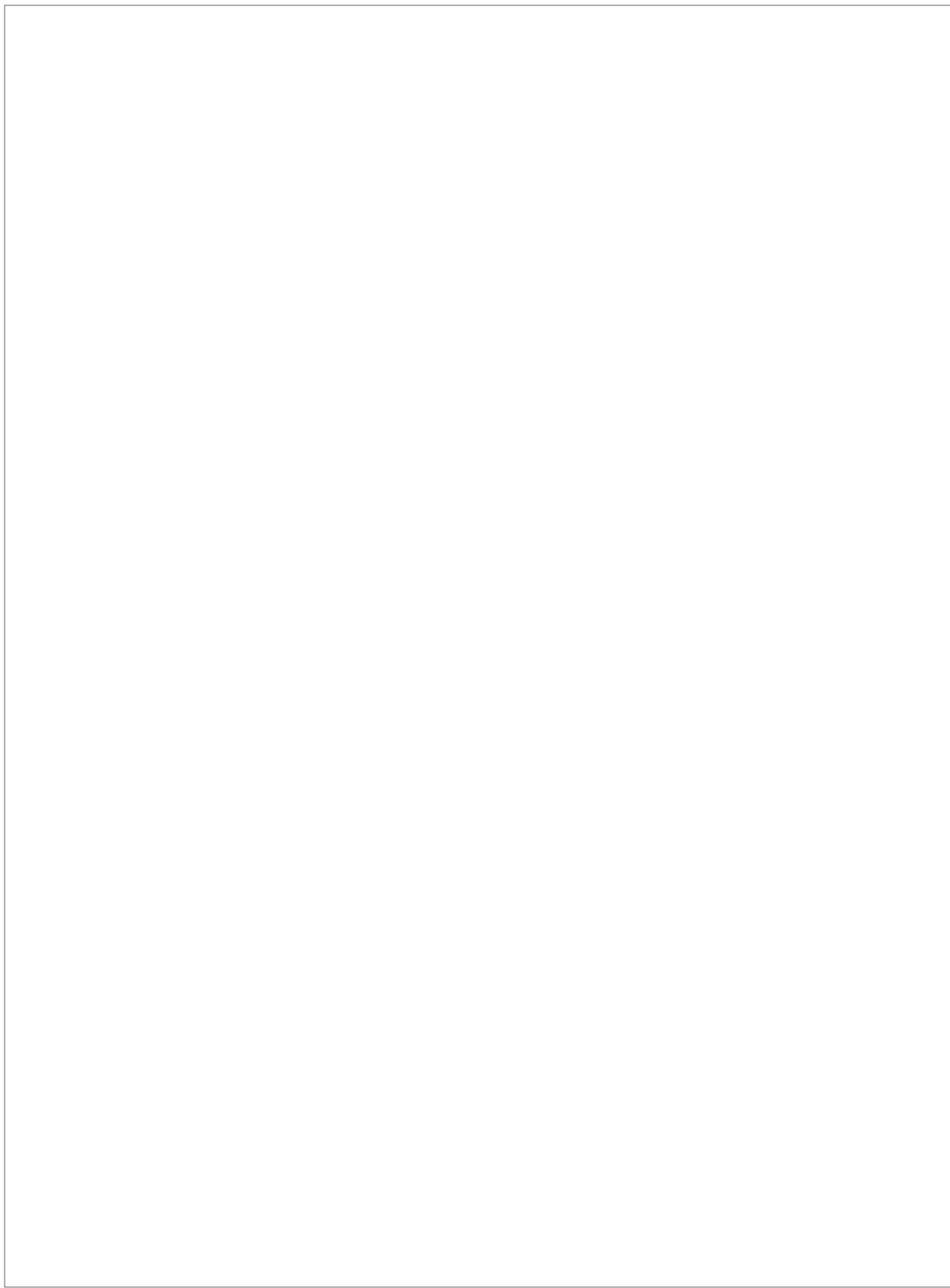


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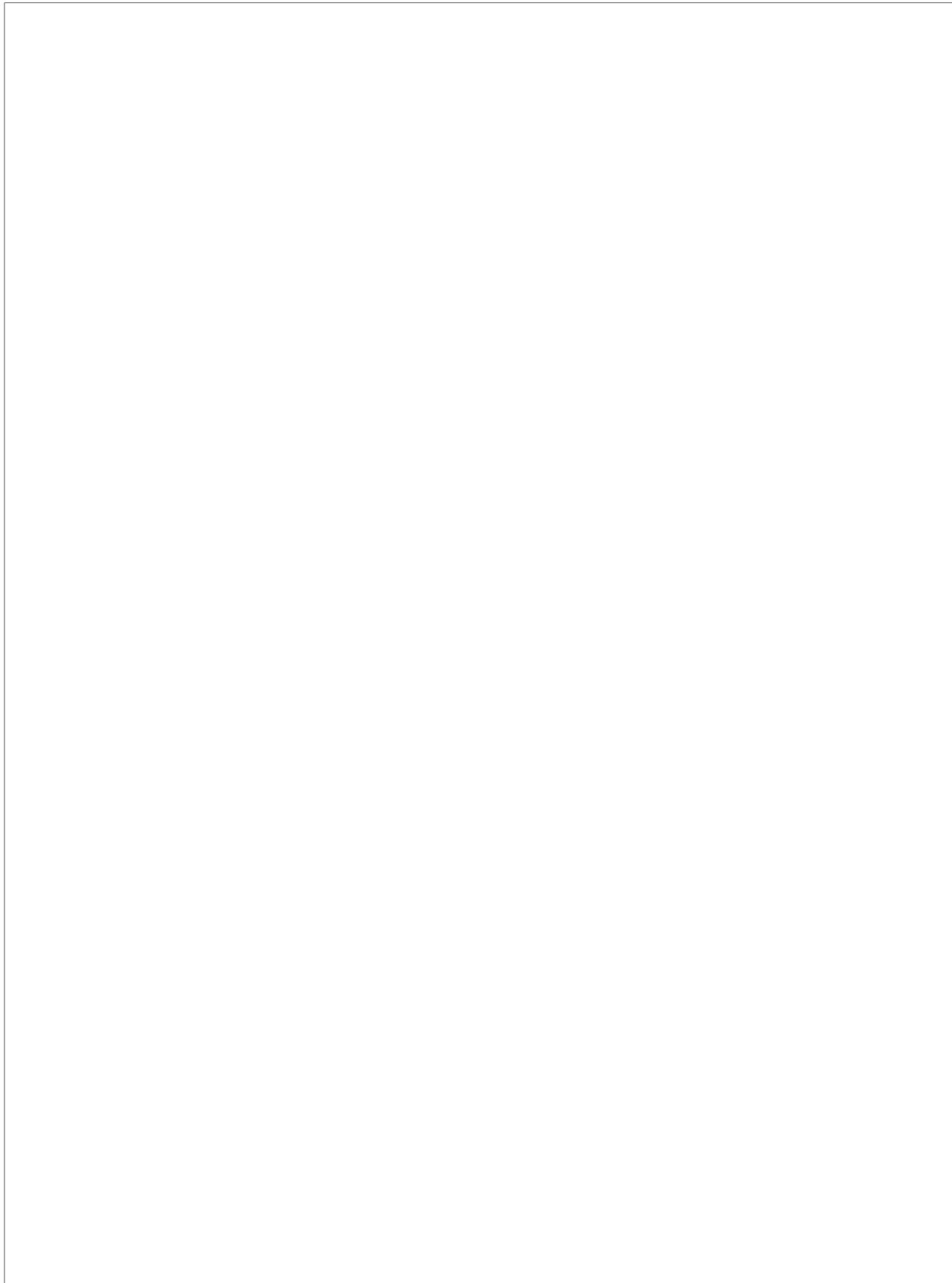


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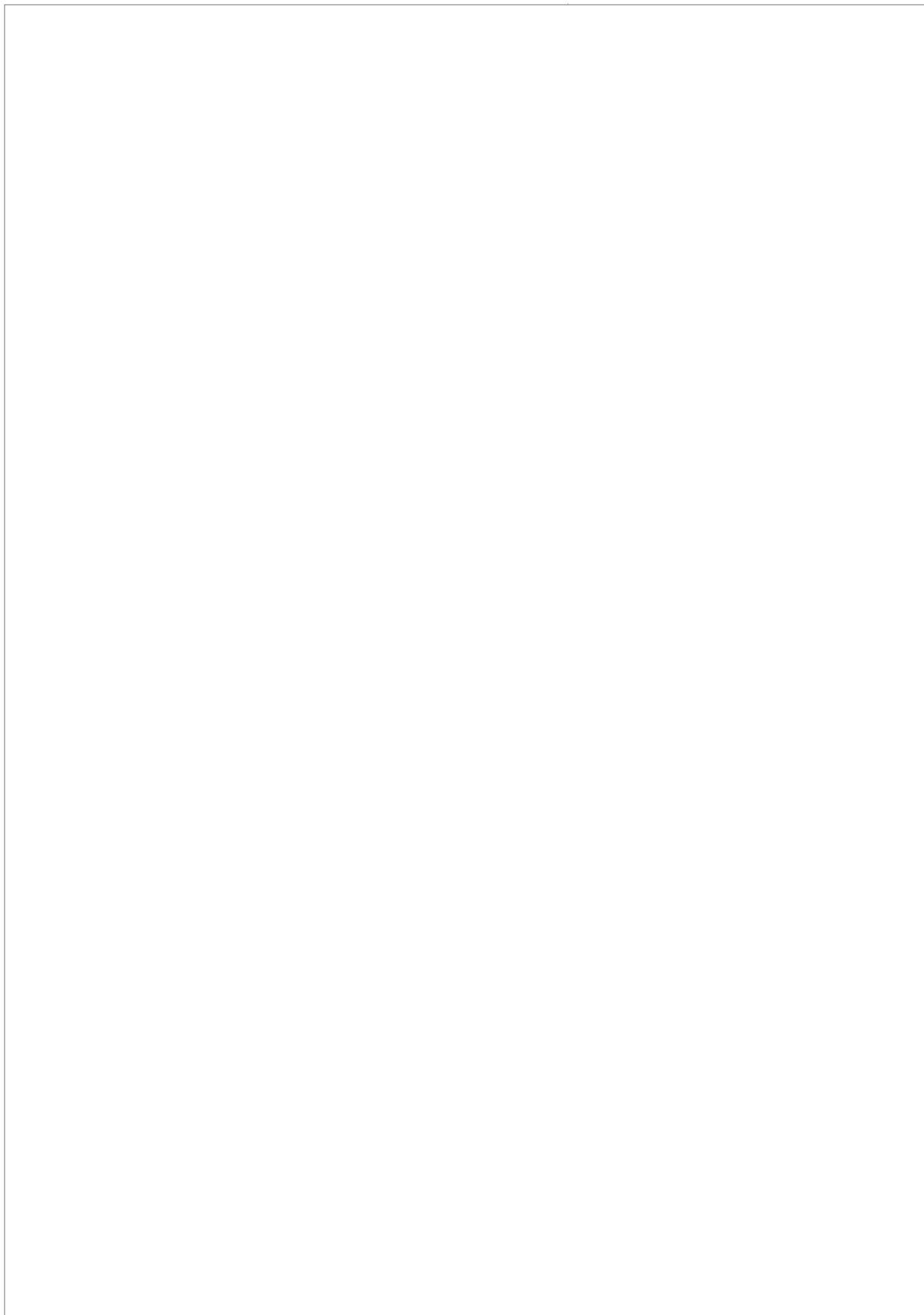


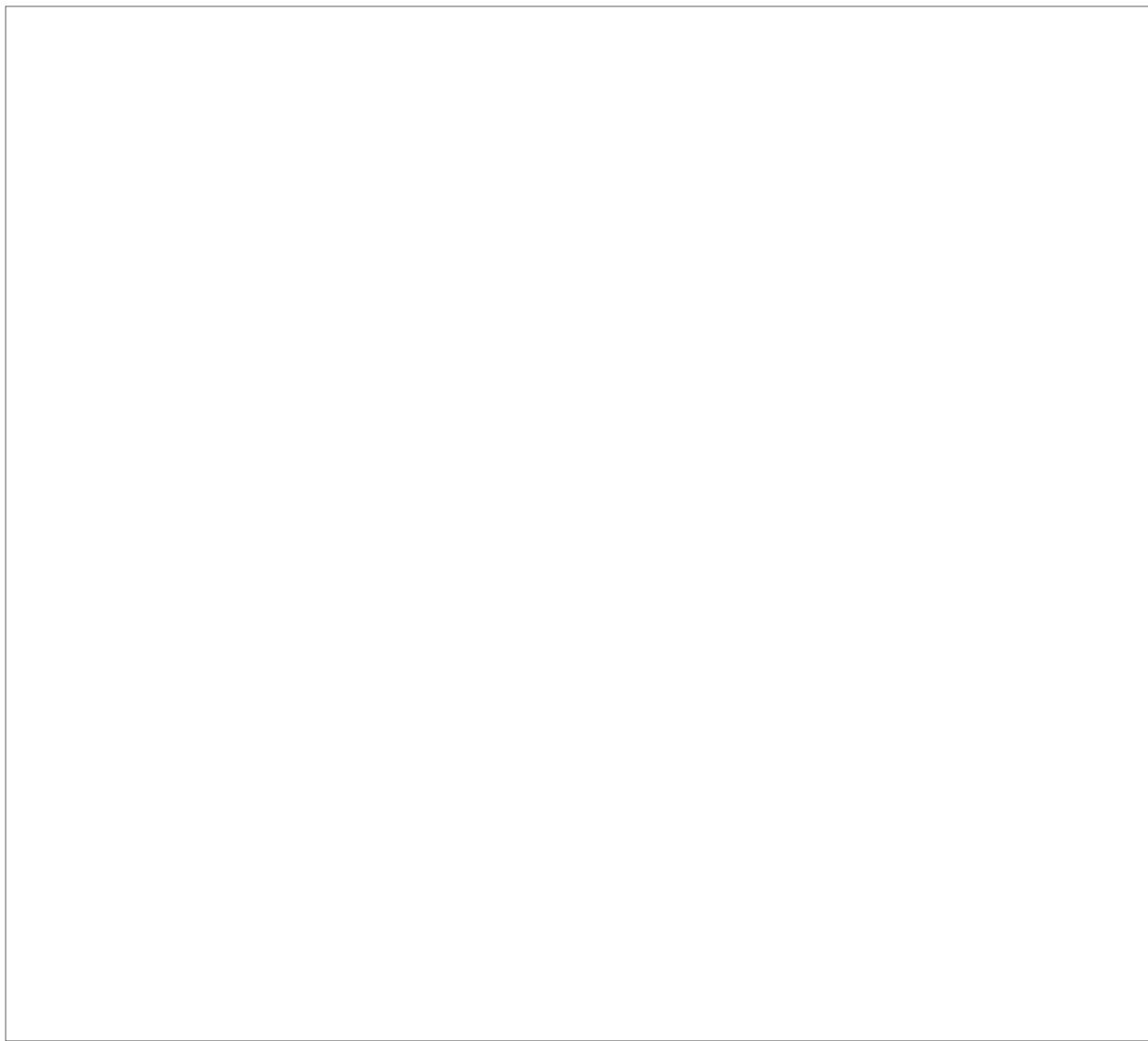
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(U) SUMMARIES OF SELECTED CURRENT AUDITS

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(U) INSPECTIONS

(U) INSPECTION STAFF OVERVIEW

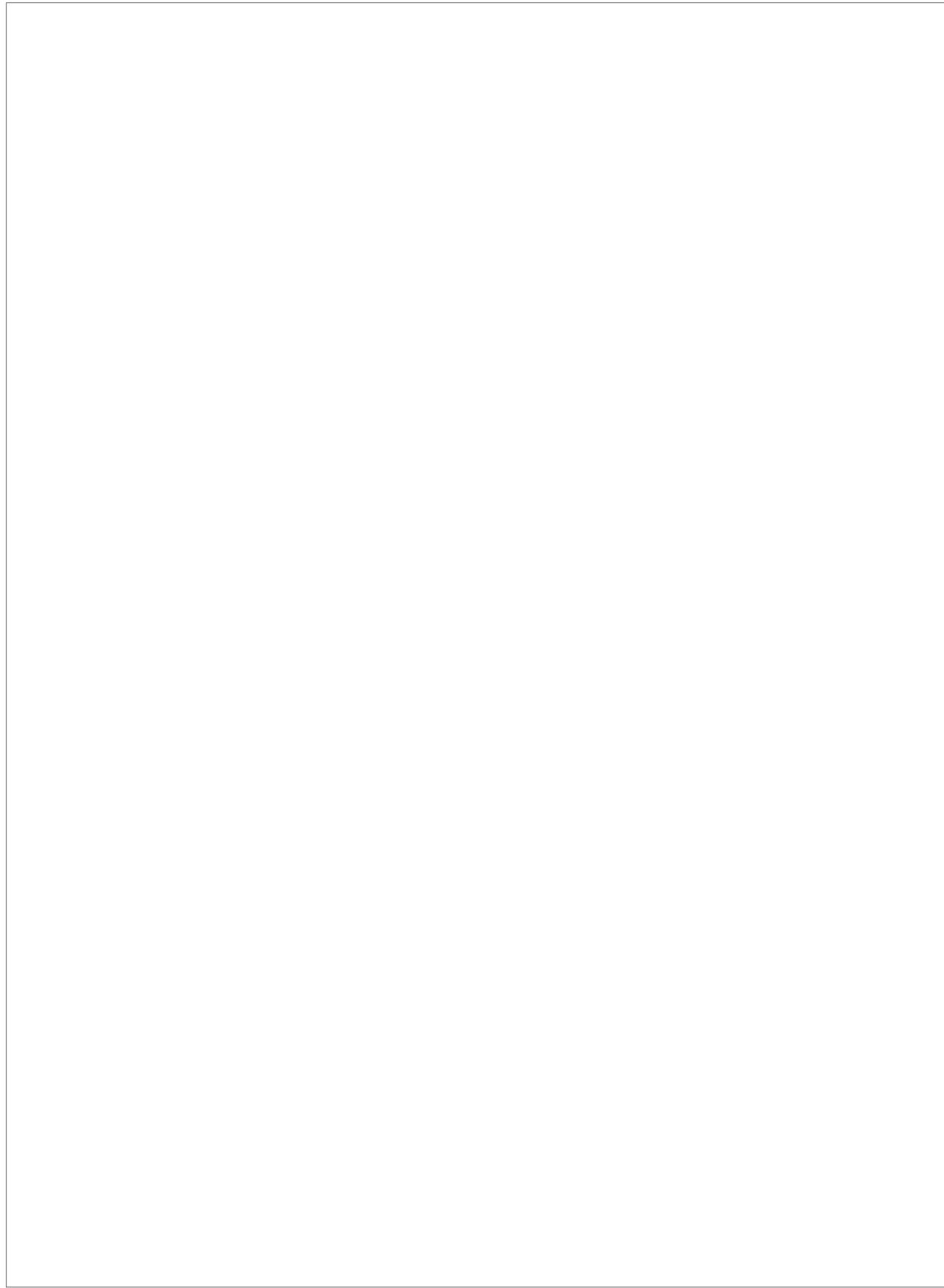
(U/ [REDACTED]) The Inspection Staff is responsible for conducting inspections of Agency programs and operations to evaluate their efficiency and effectiveness and their compliance with law, Executive orders, and regulations.

(U/ [REDACTED]) During the current reporting period, the Staff completed inspections of [REDACTED] Central Eurasia (CE) Division in the Directorate of Operations (DO), Information Security (INFOSEC), the Office of Transnational Issues (OTI) in the Directorate of Intelligence (DI), the DI's Office of Policy Support (OPS), and the DO's National Resources (NR) Division. The Staff is also nearing completion of an inspection of the DO's Resources, Plans, and Policy (RPP). In addition, the Staff continues work on one special review and began inspections of the DO's Counter-proliferation Division (CPD); the DI's Weapons Intelligence, Nonproliferation, and Arms Control Center (WINPAC); the Office of Security (OS); the Information Services Infrastructure (ISI) in the Office of the Chief Information Officer (CIO); the DCI Operations Center; and the Office of Public Affairs (OPA).

(U/ [REDACTED]) The Inspection Staff continues to conduct a two-week course for new inspectors and a seminar for team leaders before the start of each inspection cycle. The Staff also conducts seminars for OIG inspectors and research assistants during the course of each cycle, instituted in response to the increasing sophistication of the Staff's methodology. These seminars build on the New Inspectors' Training Course and address topics such as interview strategy, exploitation of databases, electronic focus group methodology, research and analysis, process mapping, graphic production, and constructing sound Findings and Recommendations.

(U/ [REDACTED] In addition, the Inspection Staff continues to utilize an independent contractor to track, monitor, and pursue compliance with recommendations. As a result, the Staff has closed six inspections that were open as of 1 January 2004.

(U) SIGNIFICANT COMPLETED INSPECTIONS



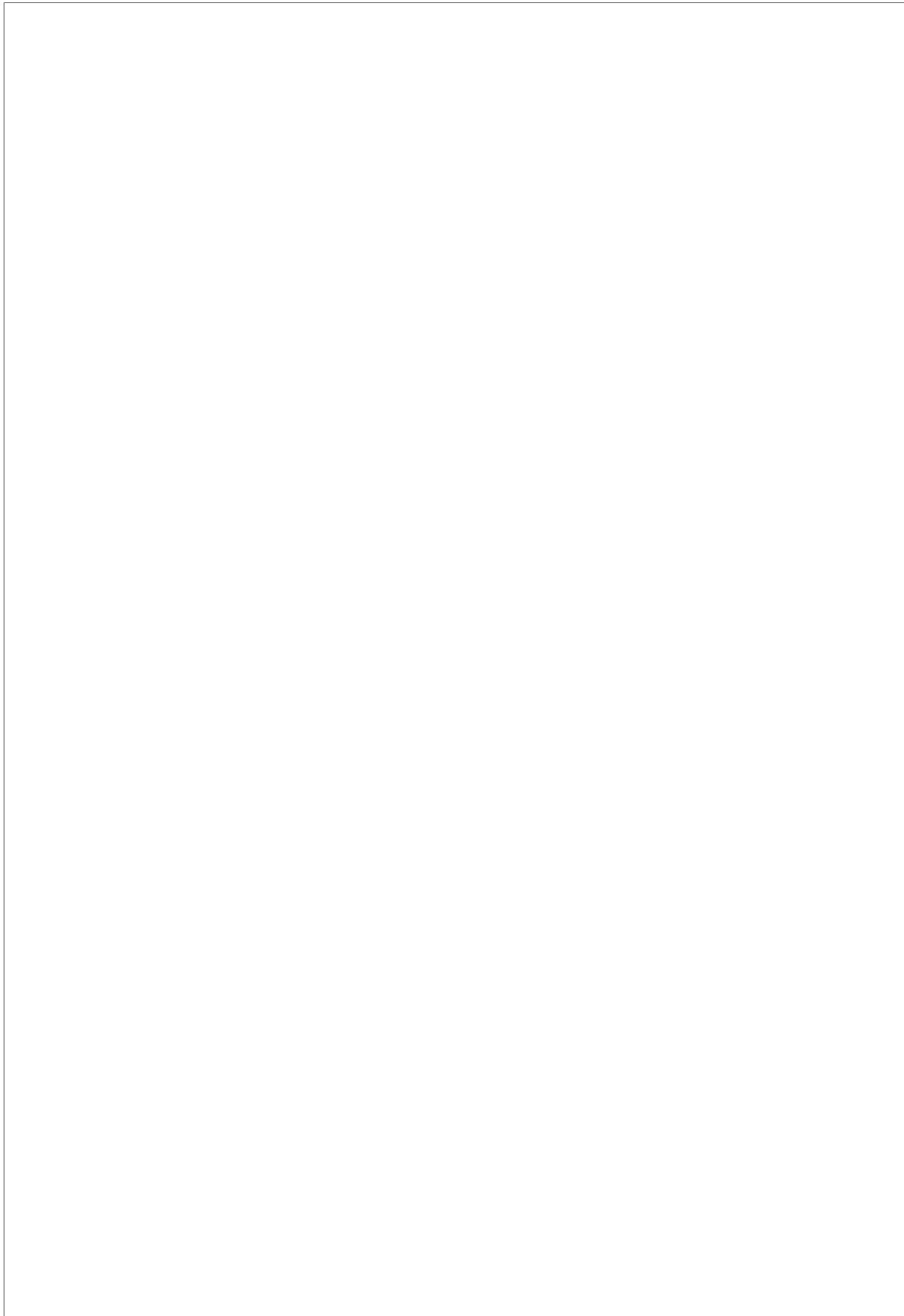
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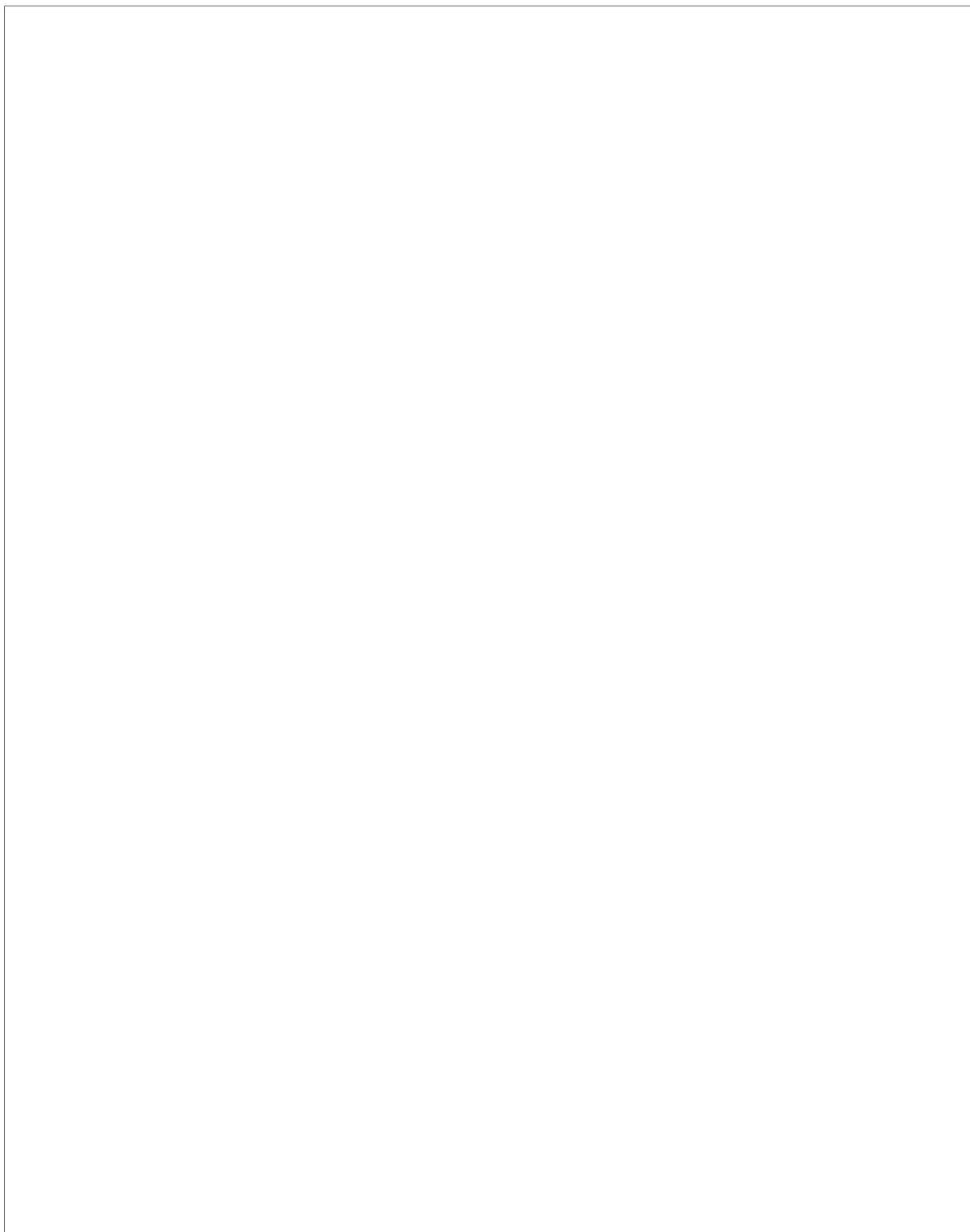




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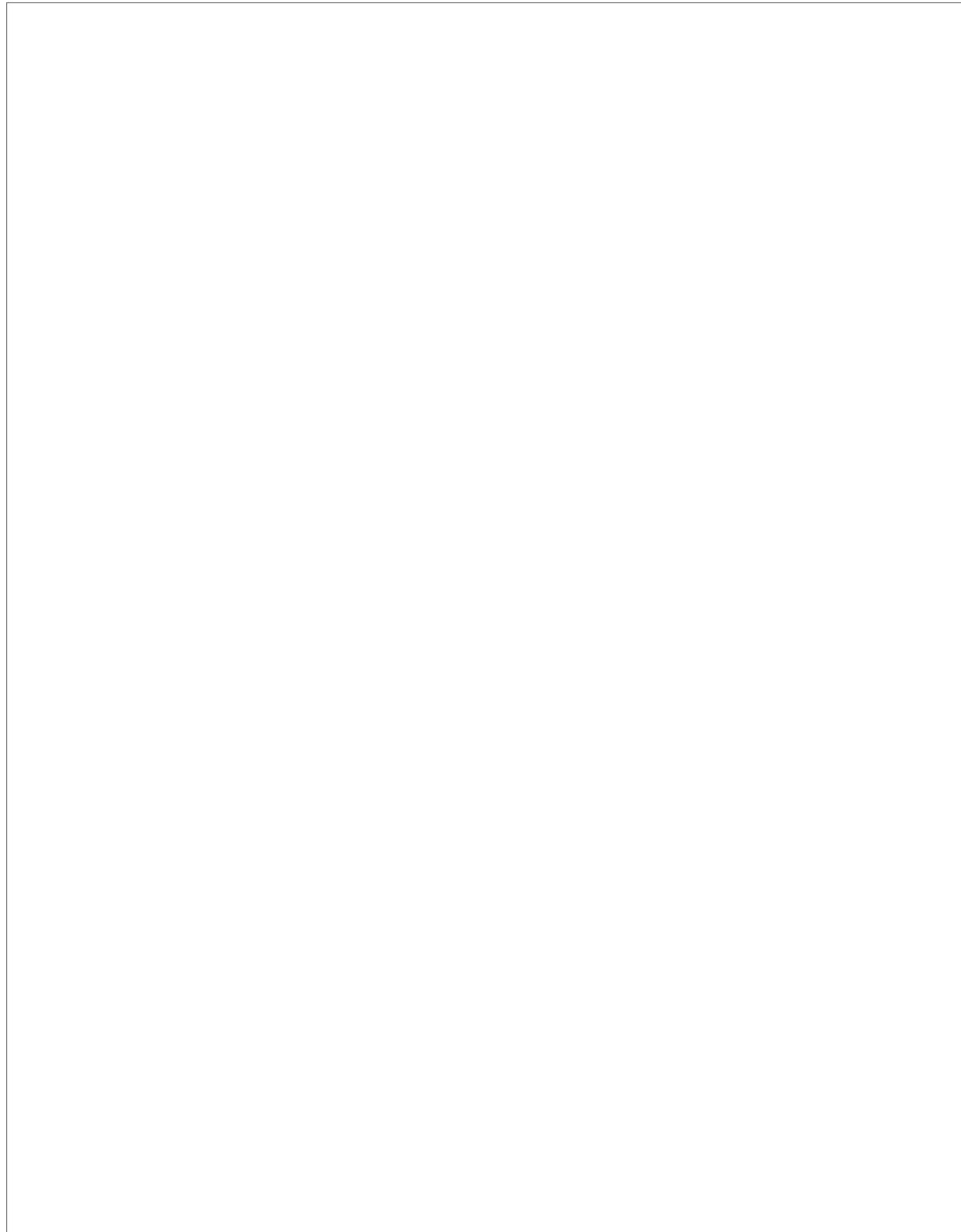


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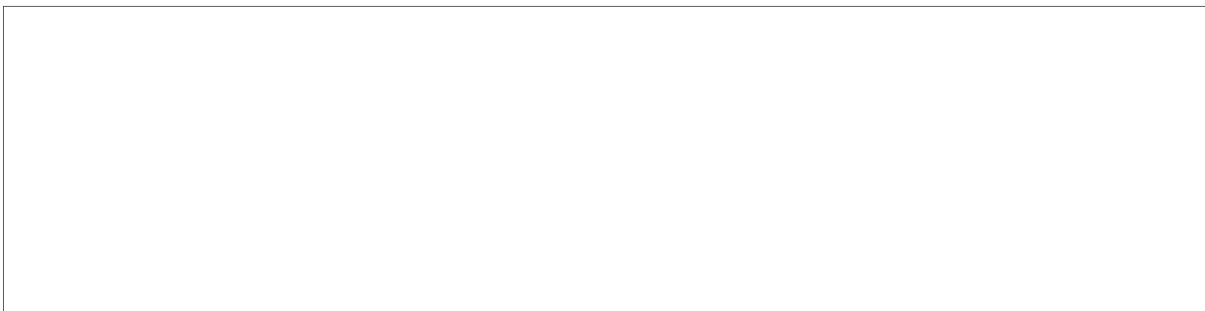


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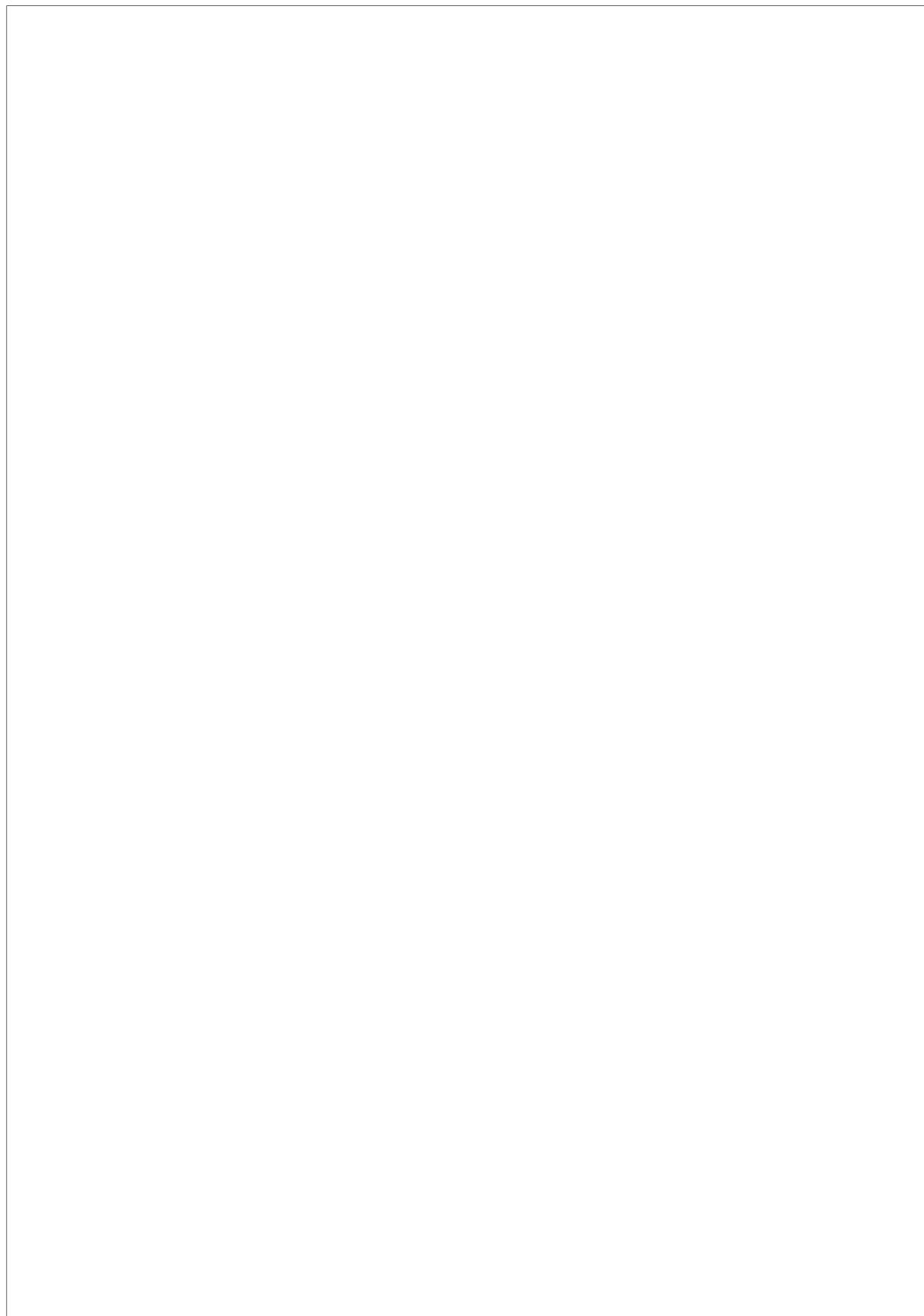
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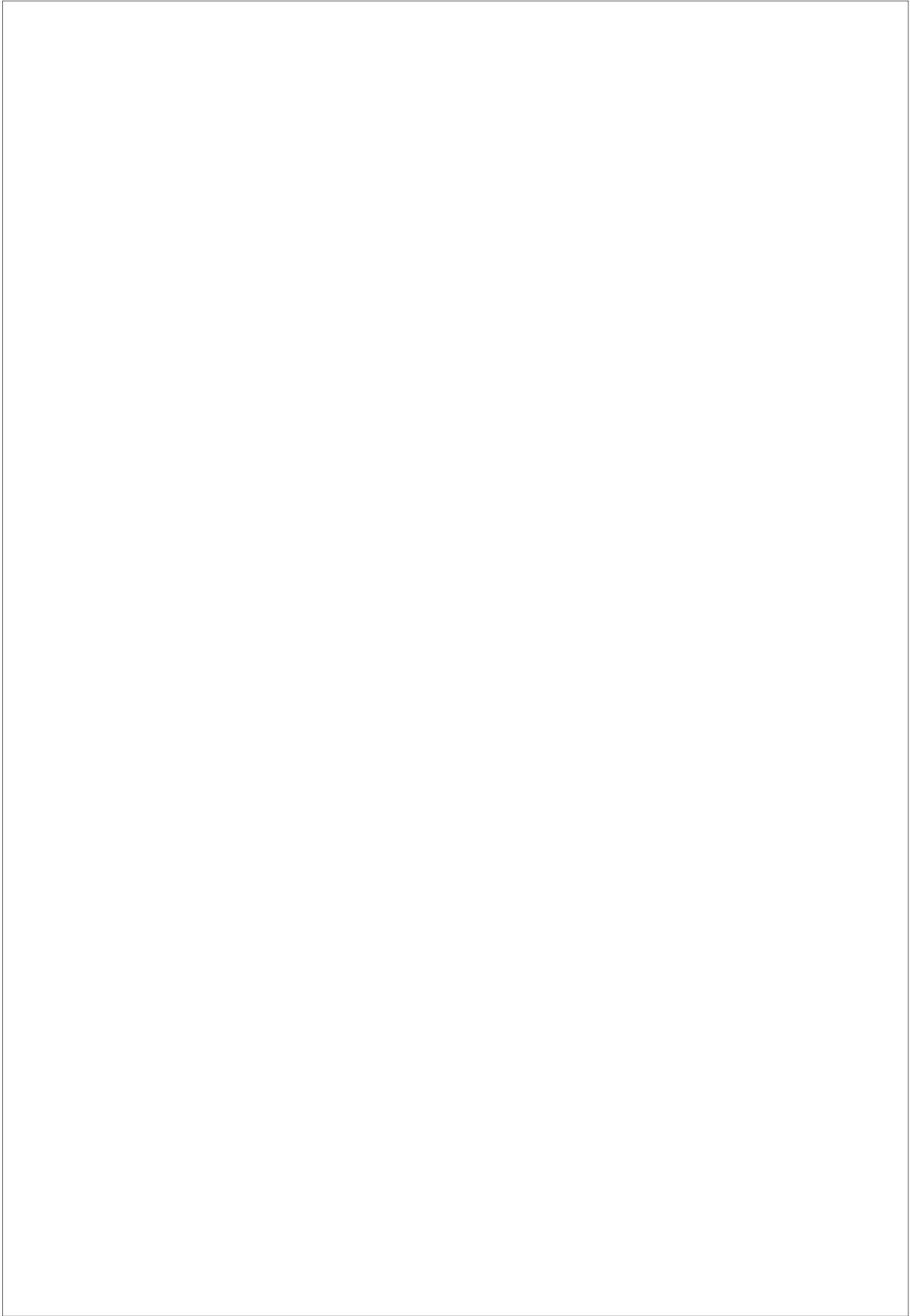
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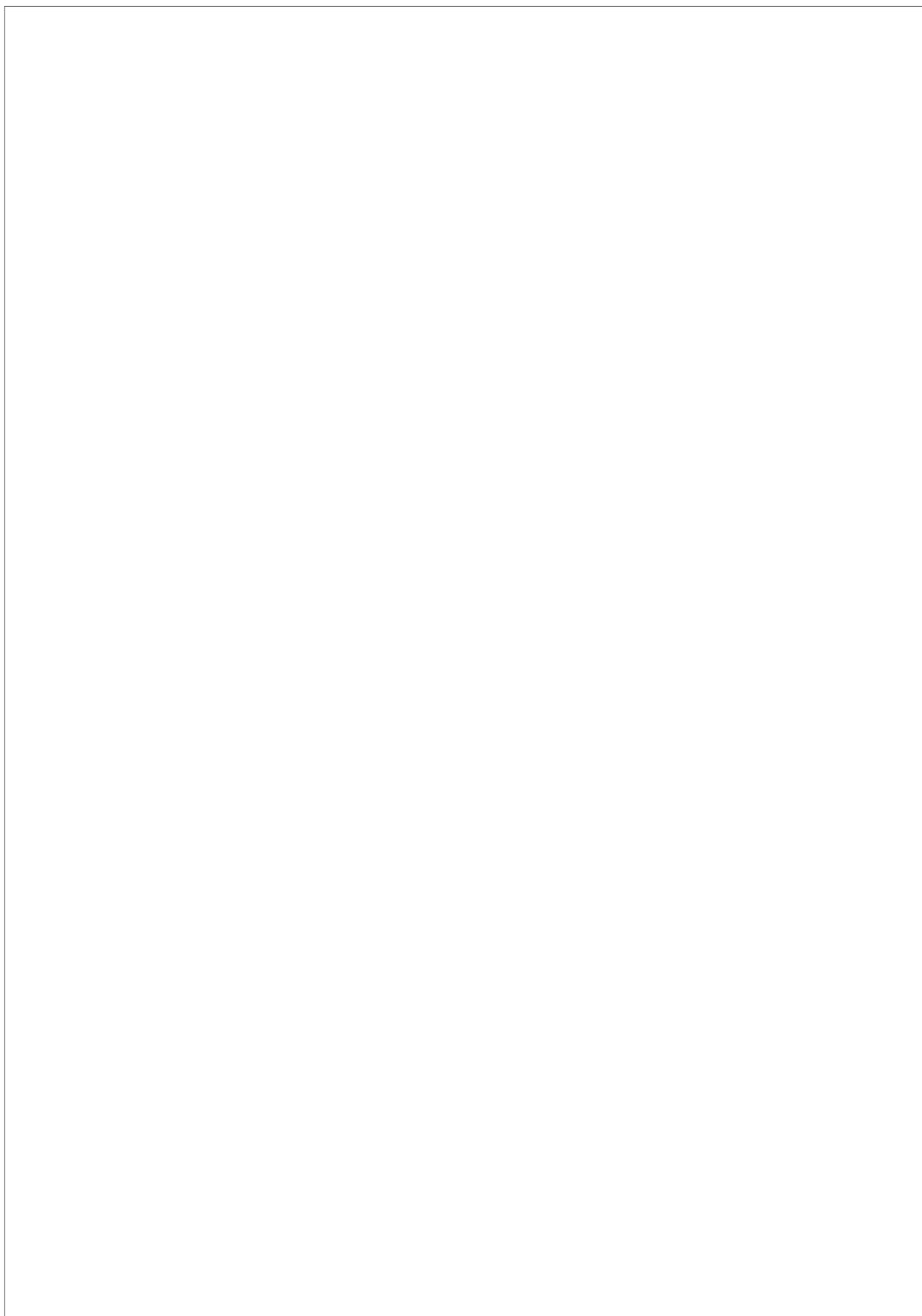


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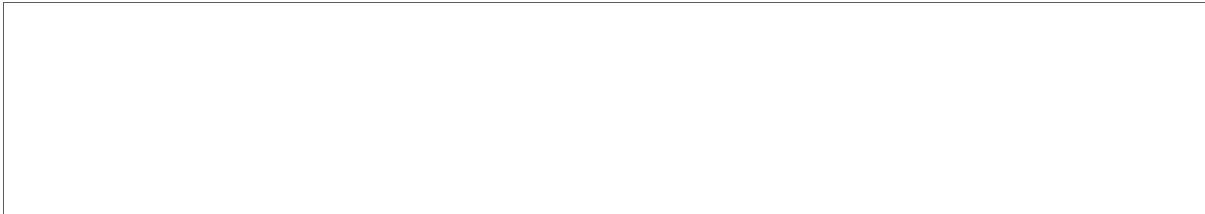
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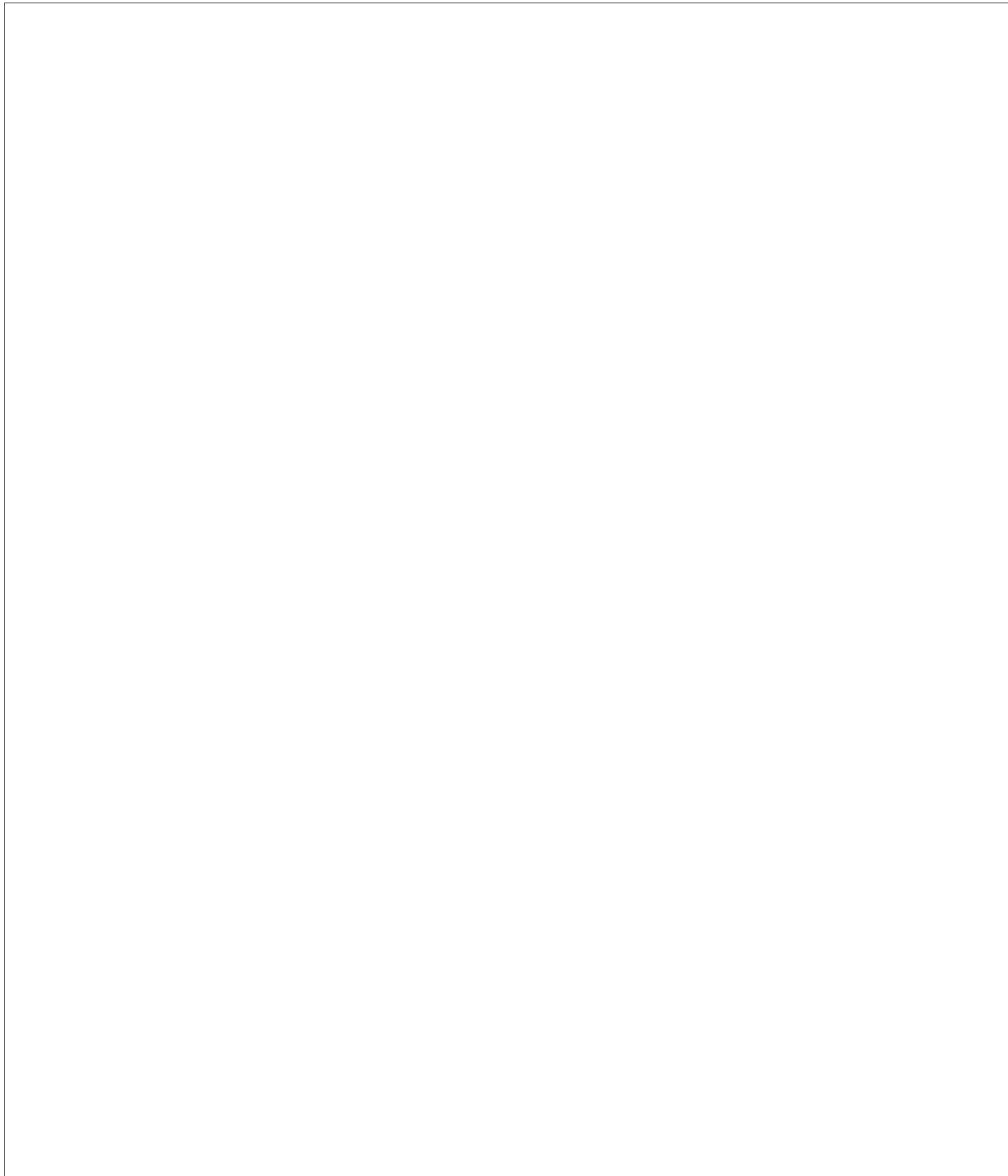
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(U) SUMMARIES OF CURRENT INSPECTIONS



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(U) INVESTIGATIONS

(U) INVESTIGATIONS STAFF OVERVIEW

(U) [] The Investigations (INV) Staff investigates possible violations of statutes, regulations, policies, and procedures, as well as allegations of waste, fraud, mismanagement, abuse of authority, and substantial dangers to public health and safety related to Agency programs and operations. The INV Staff also oversees the Agency's grievance system and conducts proactive initiatives aimed at detecting and preventing fraud, waste, and abuse.

(U) []

(U) [] The Staff continued its involvement with other resource-intensive investigations, including a review of certain post-9/11 counterterrorism responsibilities; []

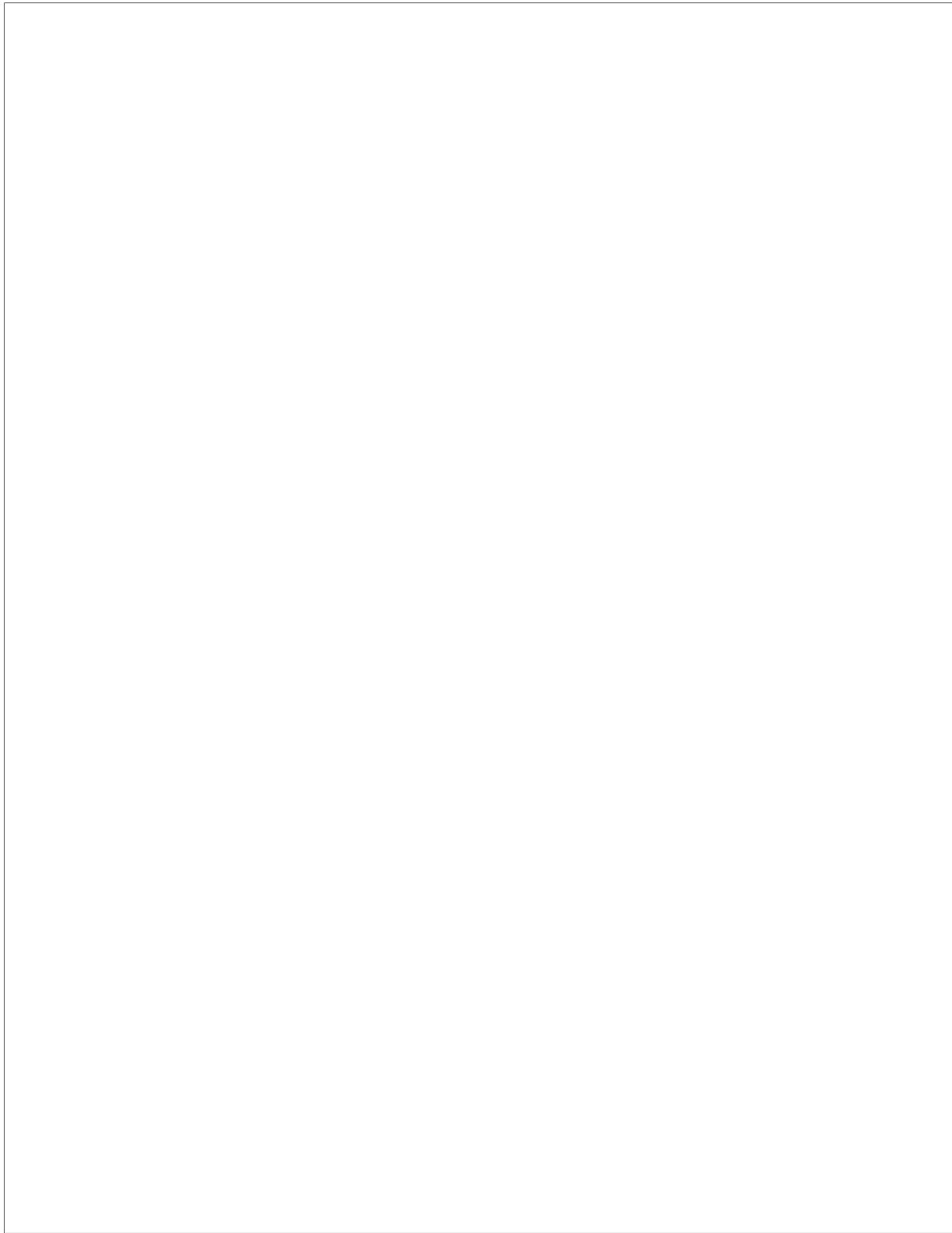
[] an investigation of an "Urgent Concern" filed under section 17(d)(5) of the CIA Act of 1949, as amended, alleging retaliation against a whistleblower; and an investigation of the procedures used in the []

(U) [] With respect to proactive initiatives, the Staff launched a review to examine the nature and extent of directed subcontracts in support of the war on terrorism in order to determine fraud vulnerability. Another review is examining Agency-

reimbursed educational expenses to determine if employees have received financial benefits beyond the design of the program through fraud or administrative error.

(U/ [REDACTED]) The Staff continues to oversee the Agency-wide grievance system, which is designed to resolve grievances at the lowest possible level. The Staff sponsored a one-day grievance counselor workshop for component and directorate grievance officers and works actively with these officers to ensure effective and timely grievance resolution.

(U) SIGNIFICANT COMPLETED INVESTIGATIONS



**(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING
FROM PREVIOUS SEMIANNUAL REPORTS**

[Redacted content]

(U) SUMMARIES OF SELECTED CURRENT INVESTIGATIONS

[Redacted content]

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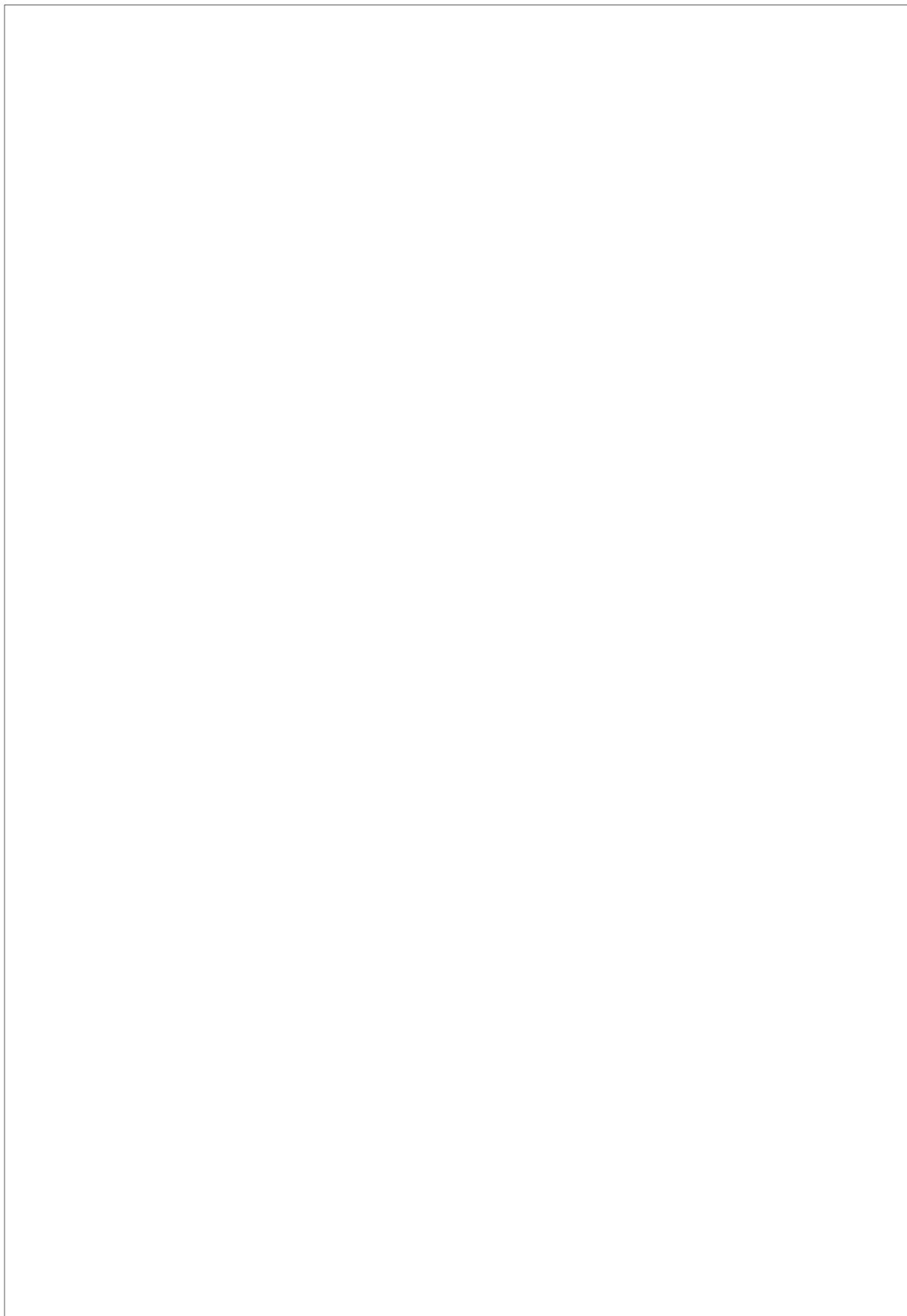
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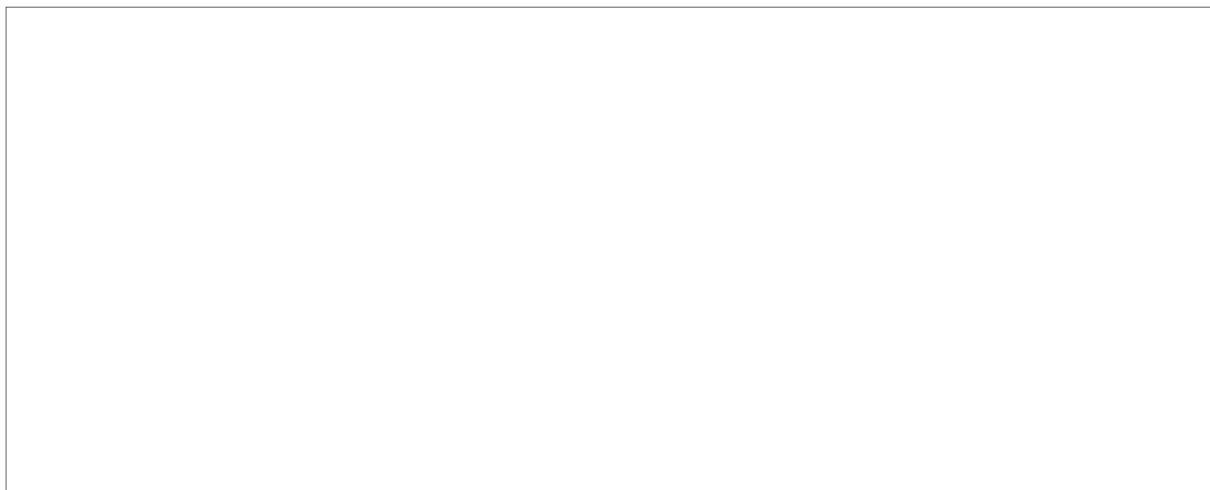
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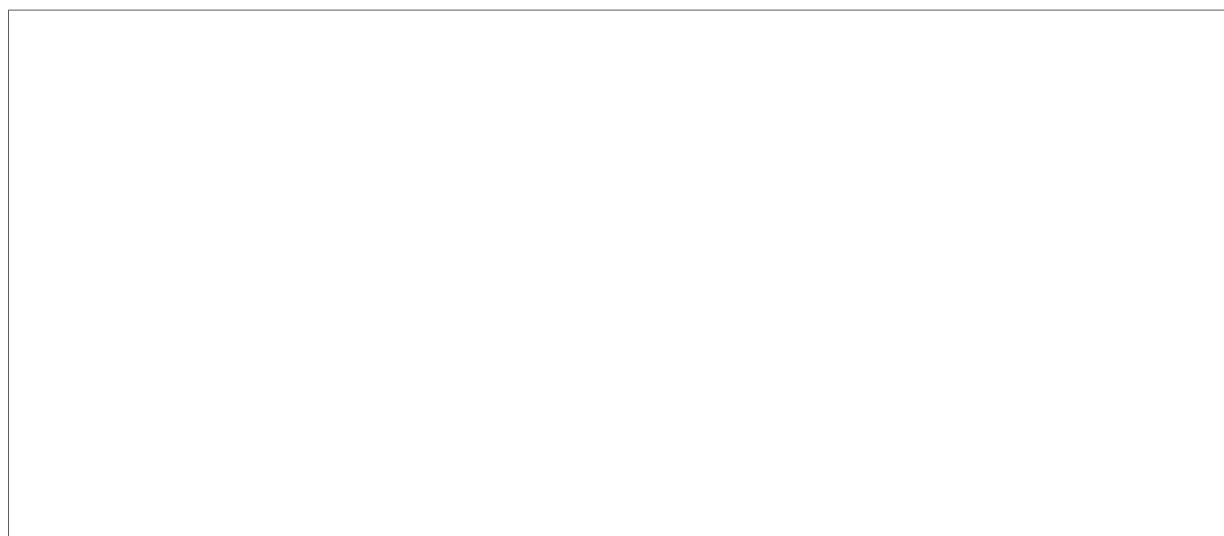
(U) SPECIAL REVIEWS

(U) Special reviews are undertaken by ad hoc teams under the leadership of a senior OIG officer to address issues of special concern identified by the Congress, senior CIA leaders, or the Inspector General. During this period, the OIG completed a special review of management practices associated with a counterterrorism covert action program and continued work on an ongoing special review.

(U) COMPLETED SPECIAL REVIEWS



(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING FROM PREVIOUS SEMIANNUAL REPORTS



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(U) SUMMARIES OF CURRENT SPECIAL REVIEWS



(U) STATISTICAL OVERVIEW

(U) Audit Staff

(U/ [redacted]) During the period 1 January to 30 June 2004, the Audit Staff issued 13 reports and made 24 recommendations to improve covert action program effectiveness, accounting and financial management, and general management.

(U) The Audit Staff had 27 audits and reviews ongoing at the end of the reporting period.

(U) Inspection Staff

[redacted] During the first six months of 2004, the Inspection Staff completed six inspections—[redacted] Central Eurasia Division, [redacted] Information Security, Office of Transnational Issues, and Office of Policy Support. The Staff also had seven ongoing inspections at the end of the reporting period: Resource, Policy, and Plans arm of the DO; [redacted]

[redacted] Weapons Intelligence, Nonproliferation, and Arms Control Center; Office of Security; the Information Services Infrastructure; DCI Operations Center; and Office of Public Affairs. In addition, the Staff closed six inspections during the period: Agency's Declassification and Release Program (June 2001); Information Management Staff (December 2001); Budget Formulation and Execution (December 2001); [redacted]

[redacted] the [redacted]
[redacted] and the Follow-up Inspection of the [redacted]

(U) Investigations Staff

(U/ [redacted]) The Investigations Staff completed work on 109 matters of various types during this reporting period. Of this number, 17 cases were of sufficient significance to be the subject of a final report—six Reports of Investigation and 11 Disposition Memoranda.

(U/ [redacted]) During this period, the IG formally referred 14 matters to DoJ based upon a reasonable belief that violations of Federal criminal law may have been committed.

(U/ [redacted]) Recoveries on behalf of the US Government during this reporting period, as a result of the Investigations Staff's efforts, totaled \$40,719.

(U/ [redacted]) As of 30 June 2004, 90 matters were in various stages of review by the Investigations Staff.

(U) COMPLETED AUDITS

1 January – 30 June 2004

(U) Financial Management

(U) Agency Bank Accounts

(U) Central Intelligence Agency Retirement and Disability System (CIARDS)

(U) Financial Reporting of Environmental and Disposal Liabilities, Other Liabilities, and Commitments and Contingencies

(U) Financial Management System Yearend Closing Process

(U) Operations

Covert Action Program [redacted]

Covert Action Program [redacted]

(U) CIA Support to Federal Agencies Responsible for Issuing Deemed Export Licenses

[redacted]

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(U) Procurement and Technology

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(U) CURRENT AUDITS

30 June 2004

(U) Financial Management

- (U) Administration of Transactions With Other Government Agencies**
- (U) Adequacy of Documentation Supporting Financial Transactions**
- (U) Audit of the CIA's FY 2004 Financial Statements**

(U) Operations

	Covert Action Activities	
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	Covert Action Infrastructure —	
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(U) Review of the National HUMINT Requirements Tasking Center



(U) Procurement and Technology

(U) [REDACTED] Directorate of Operations Operational Records System [REDACTED]

(U) Service Contracts

(U) Use of Agency Vehicles

(U) Security of National Security Systems Operated by Agency Contractors

(U) Independent Evaluation of the Central Intelligence Agency Information Security Program and Practices Required by the Federal Information Security Management Act (2004)

(U) Firearms Training

(U) Integration of Solutions Developed Through In-Q-Tel

(U) COMPLETED INSPECTIONS**1 January – 30 June 2004**

(U) Cover Management

(U) Central Eurasia Division, Directorate of Operations

(U) Information Security (INFOSEC)

(U) [REDACTED] Directorate of Operations

(U) Office of Transnational Issues, Directorate of Intelligence

(U) Office of Policy Support, Directorate of Intelligence

(U) CURRENT INSPECTIONS**30 June 2004**

(U) Resource, Policy, and Plans, Directorate of Operations

(U) [REDACTED] Directorate of Operations

(U) Weapons Intelligence, Nonproliferation, and Arms Control Center, Directorate of Intelligence

(U) Office of Security

(U) Information Services Infrastructure, Office of the Chief Information Officer

(U) Director of Central Intelligence Operations Center

(U) Office of Public Affairs (OPA)

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(U) COMPLETED INVESTIGATIONS

1 January – 30 June 2004

(U) Alleged Conflict of Interest

[REDACTED]

Alleged Misuse of Operational Revolving Funds and Illegal Shipment of a Personal Firearm

[REDACTED]

(U) Alleged False Claims and False Statements

[REDACTED]

(U) Alleged Fraud Relating to an Agency Educational Program

[REDACTED]

Unauthorized Interrogation Techniques

[REDACTED]

Incident Associated With Agency Programs in Iraq

[REDACTED]

(U) Alleged Procurement Fraud

[REDACTED]

(U) Alleged Regulatory Violations

[REDACTED]

(U) Conflict of Interest

[REDACTED]

* (U) These investigations resulted in a Disposition Memorandum rather than a Report of Investigation.

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(U) Use of Government Equipment for Personal Business

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(U) CURRENT INVESTIGATIONS

As of 30 June 2004

Category	Number of cases
Grievances	
Assignment	1
Other - Grievance	2
General Investigations	
Criminal and Prohibited Acts	
Conflicts of Interest	7
Embezzlement	4
False Claims – Other	11
False Claims/Statements/Vouchers	3
False Claims - Time & Attendance	14
False Claims – Visa/Passports	1
Firearms	1
Management and Supervision – Administrative	1
Megaprojects	2
Misconduct – Employee	3
Misconduct – Management	3
Procurement Fraud	10
Retaliation	2
Waste	3
Other - Administrative/Criminal	19
Unsubstantiated Allegations	3
Total Ongoing Cases	90

(U) COMPLETED SPECIAL REVIEWS**1 January – 30 June 2004**

[redacted] Special Review of Management Practices Associated
With a Counterterrorism Covert Action Program

(U) CURRENT SPECIAL REVIEWS**30 June 2004**

(U/ [redacted] Special Review of Accountability Issues Identified
in the Findings and Recommendations of the Joint Inquiry Report on
9/11